

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA**

VAXIION THERAPEUTICS, INC.,

Plaintiff,

vs.

FOLEY & LARDNER LLP and DOES 1  
through 20, inclusive,

Defendants.

CASE NO. 07cv00280-IEG (RBB)

**ORDER GRANTING  
DEFENDANT'S MOTION *IN*  
*LIMINE***

**[Doc. No. 182]**

Defendant Foley & Lardner, LLP ("Foley") moves the Court *in limine*<sup>1</sup> to exclude the introduction of evidence arising from a June 2008 meeting in Sydney, Australia between the parties and EnGeneIC PTY Ltd. ("EnGeneIC"). Plaintiff Vaxiion Therapeutics, Inc. ("Vaxiion") has filed an opposition and Foley has filed a reply. EnGeneIC has submitted a letter brief in which it requests, *inter alia*, attorney's fees and costs.<sup>2</sup> Vaxiion has filed an objection to the letter brief. The Court heard oral argument on Foley's motion on Monday, April 27, 2009. For the reasons stated herein, the Court grants the motion, and denies EnGeneIC's request for fees and costs.

**BACKGROUND**

The factual and procedural history of this case is familiar to the parties and need not be repeated at length herein. Vaxiion brings suit against Foley over a missed Patent Cooperation Treaty ("PCT")

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<sup>1</sup> Foley has filed a motion *in limine* several months before trial because a decision from the Court now would prevent additional expenses from being incurred with regard to this issue (i.e. rebuttal expert reports and re-deposition of Plaintiff's damages expert). (Motion at 10-11.)

<sup>2</sup> The Court admitted EnGeneIC's counsel, Jorge A. Goldstein *pro hac vice* for the limited purpose of speaking on EnGeneIC's behalf at the hearing on the instant motion.

1 filing deadline related to Vaxiion's international patent applications seeking protection for minicell  
2 technology. Foley also allegedly breached its fiduciary duty to Vaxiion when it represented EnGeneIC,  
3 an Australian company, and prosecuted EnGeneIC's patent applications, some of which included  
4 minicell technology. Vaxiion claims that as a result of the missed PCT deadline and the alleged  
5 conflict, EnGeneIC captured some of the international patent rights in minicells to which Vaxiion was  
6 originally entitled.

7 On March 16, 2007, Magistrate Judge Brooks held an Early Neutral Evaluation Conference  
8 with Plaintiff and Defendant. At the conference Plaintiff's counsel suggested the parties might be able  
9 to reach a resolution to the dispute if Vaxiion entered into an arrangement with EnGeneIC to allow  
10 Vaxiion to license or use EnGeneIC's minicell technology outside of the United States. [Declaration  
11 of Robert E. Gooding, Jr. ISO Defendant's Motion in Limine ("Gooding Decl."), Doc. No. 182-14, ¶  
12 1.] The parties agreed to attempt to schedule a joint meeting with EnGeneIC, and to keep the Court  
13 informed of their progress. (Id., ¶, 2.)

14 The parties agreed to several conditions for the meeting in Australia, including a stipulated  
15 protective order ("Protective Order,") which Magistrate Judge Brooks signed on May 16, 2008. (Doc.  
16 No. 74.) The Protective Order states that "any information exchanged . . . in connection with any  
17 discussion contemplated by this Agreement shall not be offered or received in evidence in any legal  
18 action or proceeding as an admission of liability, wrongdoing **or for any other purpose** by either  
19 Vaxiion or Foley." (Protective Order at 4.) The parties and EnGeneIC also entered into a  
20 Confidentiality and Non-Disclosure Agreement, whose terms applied to EnGeneIC and were nearly  
21 identical to those of the Protective Order. (Ex. B. to Gooding Decl.)

22 On June 24, 2008 the parties traveled to Sydney, Australia to meet with EnGeneIC. At oral  
23 argument, Vaxiion's counsel explained that Vaxiion spent considerable time at the Sydney meeting  
24 explaining its science to EnGeneIC. The parties also discussed, in general terms, Vaxiion's and  
25 EnGeneIC's interests and willingness to enter into a business arrangement or license agreement.  
26 (Gooding Decl., ¶ 9.) At the end of the meeting, the parties decided EnGeneIC would present a term  
27 sheet ("term sheet") to Vaxiion and Foley outlining the parameters under which EnGeneIC would  
28 license its technology to Vaxiion. (Id., ¶ 10.) EnGeneIC's U.S. counsel sent the proposal to Vaxiion

1 and Foley on July 18, 2008. The letter contained a statement below the subject line stating: “Subject  
 2 to the CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT of May 13, 2008 and to the  
 3 ORDER entered on May 16, 2008, granting the JOINT MOTION TO PROTECT  
 4 CONFIDENTIALITY OF DISCUSSIONS.” (Ex. C to Gooding Decl.) On the same date, EnGeneIC’s  
 5 counsel also sent a letter to Magistrate Judge Brooks stating that the Sydney meeting had taken place  
 6 and that EnGeneIC had offered Vaxiion a license. (Ex. D to Gooding Decl.) The letter did not enclose  
 7 the term sheet, and noted both Vaxiion and Foley had agreed to keep the term sheet confidential.

8 Vaxiion nevertheless concedes it “provided [the term sheet] to its damages experts [Louis  
 9 Berneman and Michael Lasinski] to assist them in evaluating the losses Vaxiion sustained through the  
 10 loss of [its] foreign intellectual property.” (Opp. at 2.) Messrs. Berneman and Lasinski issued expert  
 11 reports on May 6, 2008 and supplemental expert reports on June 13, 2008. Additionally, each expert  
 12 issued a second supplemental report, respectively on October 30, 2008 and October 31, 2008.<sup>3</sup> In his  
 13 second supplemental report, Mr. Berneman states that, as his sole assignment, Vaxiion asked him:

14 to provide [his] expert opinion regarding the lost value to Vaxiion of a  
 15 proposed, irrevocable, royalty-free, exclusive, worldwide license to  
 16 make, use, and sell products under Vaxiion’s patent rights in all fields  
 other than vaccines for infectious diseases, as expressed in Section 3(b)  
 of the Outline of Agreement [between EnGeneIC and Vaxiion].

17 (“Berneman 2d Supp. Report,” Ex. G to Garner Decl. at 3.) In Mr. Lasinski’s second supplemental  
 18 report, he states:

19 Since the issuance of my Initial Reports, I have been provided with the  
 20 following additional information which I have utilized in the analysis  
 21 contained in this report: [¶] 1. The July 18, 2008 Outline of Agreement  
 between EnGeneIC and Vaxiion (the “EnGeneIC Proposal”).

22 (“Lasinski 2d Supp. Report,” Ex. H to Garner Decl.) Lasinski accordingly calculates the “present value  
 23 of the expected costs Vaxiion will have to pay under the EnGeneIC Proposal” related to the  
 24 development and sale of three specified vaccines. (Lasinski 2d Supp. Report at 8.)

25 On February 23, 2009 Vaxiion requested that EnGeneIC execute an affidavit stating the  
 26 Protective Order “did not extend to the financial terms of the [term sheet].” (EnGeneIC Letter Brief

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27 <sup>3</sup> Although Foley does not raise the argument in its motion, the deadline for supplemental  
 28 expert reports expired on June 13, 2008. (Amended Scheduling Order at 1, Doc. No. 58.) Vaxiion  
 served the second supplemental expert reports in late October, 2008, over four months after the  
 deadline. Vaxiion has offered no explanation or showing of good cause for missing the deadline.

1 at 5.) EnGeneIC refused to provide the affidavit because “it disagreed with Vaxiion’s belated attempt  
 2 to limit the scope of the Order.” (*Id.*) EnGeneIC attached an email thread between its counsel and  
 3 Vaxiion’s counsel documenting this exchange. (Exs. A and B to EnGeneIC’s Letter Brief.)

#### 4 DISCUSSION

5 Defendant moves the Court *in limine* to exclude the introduction of: (1) any evidence related  
 6 to the parties’ Sydney, Australia meeting with EnGeneIC, including the term sheet; and (2) any expert  
 7 opinion based on the meeting or the term sheet, including Lasinski and Berneman’s second  
 8 supplemental reports. Defendant’s motion is based on two arguments: (1) Vaxiion’s use of the term  
 9 sheet violates the Protective Order; and (2) Vaxiion’s use of the term sheet violates Federal Rule of  
 10 Evidence 408. The Court examines each argument in turn.

#### 11 I. Violation of the Protective Order

12 Foley argues the experts’ use of the term sheet in their second supplemental reports violates the  
 13 Protective Order because the information contained in the term sheet is unquestionably information  
 14 exchanged “in connection with . . . discussions contemplated by [the Protective Order].” (Motion at  
 15 8.) Plaintiff responds that the Protective Order merely prohibits the admission of the *term sheet itself*  
 16 into evidence, and does not preclude its experts from using the *data* in the term sheet. Plaintiff argues  
 17 that it always intended to use the information as the basis for its experts’ damages calculations, and that  
 18 the Protective Order does not preclude this action. (Opp. at 3-4.)

19 The Protective Order states, in relevant part:

20 WHEREAS, in the course of the Early Neutral Evaluation Conference  
 21 overseen by Magistrate Judge Ruben B. Brooks, Vaxiion and Foley have  
 22 discussed having a meeting with EnGeneIC to consider a possible  
 23 business arrangement between Vaxiion and EnGeneIC that could lead  
 24 to a resolution of the dispute between Vaxiion and Foley and a  
 25 settlement of Vaxiion’s claims against Foley;

26 WHEREAS, notwithstanding that EnGeneIC and Vaxiion may be  
 27 direct competitors in certain fields relating to minicells, EnGeneIC,  
 28 through its counsel, has agreed to engage in such discussions with  
 Vaxiion and Foley, and [the parties] have agreed to engage in such  
 discussions with EnGeneIC and each other, but only on the condition  
 that such discussions be treated as confidential by [Vaxiion, Foley, and  
 EnGeneIC], and that **nothing said or produced in such discussions be  
 used in any subsequent proceeding by [Vaxiion, Foley, or EnGeneIC].**

WHEREAS, Vaxiion and Foley agree that any . . . information  
 disclosed to them by EnGeneIC before or after the date of this Joint

1 Motion about the minicell technology or about EnGeneIC's plans to use  
 2 the minicell technology are confidential and proprietary, and that the  
 disclosure of such [information] would be damaging to EnGeneIC if it  
 became public . . . .

3 NOW, THEREFORE, in consideration of [Vaxiion, Foley, and  
 4 EnGeneIC's] willingness to meet, [they] stipulate and agree, and move  
 the court, as follows:

5 1. For purposes of this Agreement, "EnGeneIC Proprietary information"  
 6 includes, but is not limited to . . . development plans for existing  
 minicell technology . . . and includes all information relating to  
 7 minicells disclosed by EnGeneIC to Vaxiion in any form whether or not  
 identified as proprietary by EnGeneIC.

8 2. Vaxiion and Foley agree to treat as confidential EnGeneIC  
 9 Proprietary information exchanged during any meetings contemplated  
 by this Agreement. Vaxiion and Foley further agree that, unless ordered  
 10 to do so by a court of competent jurisdiction, Vaxiion or Foley may not  
 disclose or use EnGeneIC Proprietary information without the express  
 11 written consent of EnGeneIC.

12 [...]

13 4. "Vaxiion and Foley agree that this Agreement, any action taken  
 pursuant to this Agreement, and/or any information exchanged or  
 14 statements made at or in connection with any discussion contemplated  
 by this Agreement shall not be offered or received in evidence in any  
 15 legal action or proceeding as an admission of liability, wrongdoing or  
**for any other purpose** by either Vaxiion or Foley."

16 Protective Order at 2-4 (emphasis added).

17 Vaxiion violated the Protective Order by providing the confidential term sheet information to  
 18 its damages experts without obtaining a court order or consent from EnGeneIC. The term sheet  
 19 contains the parameters under which EnGeneIC would possibly license its minicell technology to  
 20 Vaxiion. These parameters include, *inter alia*, commercially sensitive information such as the fields  
 21 in which EnGeneIC is willing to license its technology to other companies. This information is the type  
 22 of "EnGeneIC Proprietary Information" contemplated by the Protective Order because it falls under  
 23 "development plans for existing . . . minicell technology" or at the very least "all information relating  
 24 to minicells disclosed by EnGeneIC to Vaxiion in any form whether or not identified as proprietary by  
 25 EnGeneIC."

26 Moreover, admitting Berneman's and Lasinski's testimony at trial would further violate the  
 27 Protective Order, to the extent their damages estimates include information provided in the term sheet.  
 28 The term sheet and its contents were derived from the parties' discussion about licensing at their

1 meeting in Australia. Therefore, the term sheet contains “information exchanged or statements made  
 2 . . . in connection with [a] discussion contemplated by [the] Agreement.” Plaintiff’s argument that the  
 3 Protective Order only prohibits admission of the term sheet itself into evidence is meritless, because  
 4 *information* in the term sheet is also within the Protective Order. The Protective Order forbids this  
 5 information from being received into evidence **for any purpose**; “any purpose” undoubtedly includes  
 6 use by expert witnesses in damages calculations.

7 Vaxiion further argues that even if the information in the term sheet is inadmissible at trial, Fed.  
 8 R. Civ. P. 703<sup>4</sup> allows expert witnesses to rely on inadmissible evidence. Specifically, Vaxiion  
 9 contends that experts may “reasonably rely [on] an opinion expressed by another expert,” and  
 10 “EnGeneIC is the best expert to provide an opinion on how much it would cost a competitor to buy into  
 11 EnGeneIC’s IP space abroad.” (Opp. at 5.) Vaxiion cites two out-of-circuit cases in support of its  
 12 argument: Ohio Env’tl. Dev. Ltd. P’ship v. Envirotech Sys. Corp., 478 F. Supp. 2d 963, 975 (N.D. Ohio  
 13 2007) (finding “if an expert’s consultation of another expert’s opinion is a resource reasonably relied  
 14 upon by experts in the particular field in forming opinions or inferences upon the subject, the facts or  
 15 data need not be admissible in evidence in order for the opinion or inference to be admitted.”) (citation  
 16 omitted); and Concerned Area Residents for the Env’t v. Southview Farm, 834 F. Supp. 1422, 1436  
 17 (W.D.N.Y. 1993) (finding Rule 703 “has been held to permit an expert in one field to base on opinion  
 18 in part on the opinions of other experts in other fields.”)

19 Vaxiion’s argument is meritless. First, EnGeneIC is not an expert retained to opine upon any  
 20 issue in this case. Messrs. Berneman and Lasinski therefore were not relying on “another expert’s”  
 21 opinion when they used information from the term sheet in writing their second supplemental reports.  
 22 Second, Foley correctly argues that while experts may rely on inadmissible evidence as a general rule,  
 23 nothing in Rule 703 suggests that an expert may rely on evidence the Court has **expressly precluded**.

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 26 <sup>4</sup> Rule 703 provides: “[...] If of a type reasonably relied upon by experts in the particular field  
 27 in forming opinions or inferences upon the subject, the facts or data need not be admissible in  
 28 evidence in order for the opinion or inference to be admitted. Facts or data that are otherwise  
 inadmissible shall not be disclosed to the jury by the proponent of the opinion or inference unless the  
 court determines that their probative value in assisting the jury to evaluate the expert's opinion  
 substantially outweighs their prejudicial effect.” Fed. R. Civ. P. 703 (2009).

1 The Court therefore grants Foley's motion *in limine*, in light of Vaxiion's violation of the  
 2 Protective Order and the potential for continued violations should information from the term sheet be  
 3 received into evidence at trial. The Court grants the motion pursuant to its inherent power to enforce  
 4 its own orders. Aloe Vera of Am., Inc. v. United States, 376 F.3d 960, 964-965 (9th Cir. 2004) ("All  
 5 federal courts are vested with inherent powers enabling them to manage their cases and courtrooms  
 6 effectively and to ensure obedience to their orders. . . . As a function of this power, courts can dismiss  
 7 cases in their entirety, bar witnesses, award attorney's fees and assess fines.")

## 8 II. Violation of Fed. R. Evid. 408

9 Fed. R. Evid. 408 provides an independent basis for the Court's decision to grant Foley's  
 10 motion. Foley correctly argues that the experts' use of the term sheet in their supplemental reports  
 11 violates "the literal terms of [Fed. R. Evid.] 408 and the public policy behind it." (Motion at 9.)

12 Fed. R. Evid 408 provides:

13 Evidence of the following is not admissible on behalf of any party, when  
 14 offered to prove liability for, invalidity of, or amount of a claim that was  
 15 disputed as to validity or amount, or to impeach through a prior  
 16 inconsistent statement or contradiction: (1) furnishing or offering or  
 17 promising to furnish—or accepting or offering or promising to accept—a  
 18 valuable consideration in compromising or attempting to compromise  
 19 the claim; and (2) conduct or statements made in compromise  
 20 negotiations regarding the claim . . . .

21 Fed. R. Evid. 408(a) (2009).

22 Plaintiff argues Rule 408 does not protect the term sheet because EnGeneIC and Vaxiion have  
 23 no claims against one another, and the legal disputes in this case are strictly between Vaxiion and  
 24 Foley. In support, Plaintiff cites Armstrong v. HRB Royalty, Inc., 392 F. Supp. 2d 1302, 1304-05 (S.D.  
 25 Ala. 2005) ("Rule 408 excludes evidence of settlement offers only if such evidence is offered to prove  
 26 liability for or invalidity [or amount] of the claim under negotiation. . . . Rule 408 unambiguously  
 27 requires that the claim as to which a settlement offer was made and the claim at issue in the litigation  
 28 in which the offer is proffered as evidence must be the same claim.") and Towerridge, Inc. v. T.A.O.,  
Inc., 111 F.3d 758, 770 (10th Cir. 1997) ("Rule 408 does not require the exclusion of evidence  
 regarding the settlement of a claim different from the one litigated, though admission of such evidence  
 may nonetheless implicate the same concerns of prejudice and deterrence of settlements which underlie  
 Rule 408.") Foley characterizes the Sydney meeting as a "settlement meeting among [Vaxiion],



1 [Foley], and [EnGeneIC]” (Motion at 1,) and argues the term sheet is a product of that settlement  
2 meeting.

3 The Court rejects Vaxiion’s argument, and finds Rule 408 protects the term sheet and its  
4 contents. Despite Vaxiion’s attempts to characterize the Sydney meeting as limited to discussion of  
5 science and potential business arrangements, the meeting and EnGeneIC’s resulting license offer were  
6 a product of Vaxiion and Foley’s joint efforts to settle the case. In fact, at oral argument Plaintiff’s  
7 counsel belabored the point that Vaxiion was unable to secure a meeting with EnGeneIC without  
8 Foley’s cooperation. Moreover, one of the main recitals of the parties’ stipulated protective order  
9 states:

10 “WHEREAS, in the course of the Early Neutral Evaluation Conference  
11 overseen by Magistrate Judge Ruben B. Brooks, Vaxiion and Foley have  
12 discussed having a meeting with EnGeneIC to consider a possible  
13 business arrangement between Vaxiion and EnGeneIC that could lead  
14 to a resolution of the dispute between Vaxiion and Foley and a  
15 settlement of Vaxiion’s claims against Foley[.]”

16 (Protective Order at 2.)

17 In this case, Vaxiion makes a claim of liability and damages against Foley; specifically it  
18 contends it lost valuable intellectual property rights as a result of Foley’s actions. The term sheet  
19 summarizes a licensing offer that Vaxiion now seeks to use as a basis for its damages claims. Because  
20 EnGeneIC generated the term sheet pursuant to a settlement attempt between the parties, Vaxiion’s use  
21 of the sheet in its damages calculations is an impermissible attempt to admit statements made in  
22 compromise negotiations to prove the amount of a disputed damages claim.

23 Finally, allowing into evidence the term sheet or its contents would not promote the public  
24 policy favoring the compromise and settlement of disputes, because it would discourage candid  
25 discussions in compromise negotiations such as the one at issue in this case. See United States v.  
26 Contra Costa County Water Dist., 678 F.2d 90, 92 (9th Cir. 1982) (“By preventing settlement  
27 negotiations from being admitted as evidence, full and open disclosure is encouraged, thereby  
28 furthering the policy toward settlement.”) Foley openly cooperated in arranging and participating in  
the Sydney meeting because of its desire to resolve this case out of court. Foley would not have made  
these efforts if it had known that Vaxiion would use evidence resulting from the meeting against it at  
trial.



1 III. EnGeneIC's Letter Brief


2 EnGeneIC has submitted a letter brief asserting its position that the Protective Order prohibits  
3 Vaxiion from disclosing EnGeneIC proprietary information, such as the information in the term sheet.  
4 EnGeneIC has also requested that the Court award its costs for responding to Vaxiion's actions,  
5 including reasonable attorney's fees. EnGeneIC has not intervened as a party in this action, and has  
6 not provided any legal support for its entitlement to reimbursement. The Court denies EnGeneIC's  
7 request for fees and costs.

8 CONCLUSION

9 For the foregoing reasons, the Court grants Foley's motion *in limine* and excludes the following  
10 evidence from use at trial: (1) any evidence related to the parties' Sydney, Australia meeting with  
11 EnGeneIC, including the term sheet; and (2) any expert opinion based on the meeting or the term sheet,  
12 including Lasinski and Berneman's second supplemental reports. EnGeneIC's request for attorney's  
13 fees and costs is denied.

14  
15 **IT IS SO ORDERED.**

16  
17 **DATED: May 6, 2009**

18   
19 **IRMA E. GONZALEZ, Chief Judge**  
20 **United States District Court**